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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 1, 2019/2020

**BAC1634 – FINANCIAL ACCOUNTING & REPORTING I**  
( All sections / Groups )

12 OCTOBER 2019  
9.00 a.m – 12.00 p.m  
( 3 Hours )

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### INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 5 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

**QUESTION 1**

In accordance with the *Conceptual Framework for Financial Reporting*, explain:

- a) the definition of assets, liabilities, equity, income, expenses and capital maintenance. (12 marks)
- b) the four (4) bases of measurement that can be used to measure an asset. (8 marks)

(Total: 20 marks)

**QUESTION 2**

Life Saver Berhad, a Malaysian listed company, is a manufacturing company producing swimming equipment. The following is the trial balance as at 31 December 2018:

	RM'000	RM'000
Revenue		172,000
Cost of sales	89,200	
Distribution costs	16,400	
Administrative expenses	14,500	
Finance costs	400	
Inventory at 31 December 2018	22,900	
Investment income		4,200
Trade receivables	54,600	
Trade payables		35,000
Motor vehicle (at cost)	70,000	
Property (at valuation)	100,000	
Plant (at cost)	130,000	
Machinery (at cost)	40,000	
Accumulated depreciation and amortization at 1 January 2018		
Motor vehicles		14,000
Property		20,000
Plant		34,000
Machinery		6,000
Investment at fair value at 1 January 2018	12,900	
Ordinary shares		155,000
8% Redeemable preference shares of RM1 each		10,000
Retained earnings at 1 January 2018		25,500
Revaluation reserves		700
Deferred tax		14,000
Bank overdraft		60,500
	<u>550,900</u>	<u>550,900</u>

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The following information is relevant:

- i) The freehold property was revalued at RM80,000,000 on 31 December 2018. The estimated remaining life of the property on 31 December 2018 was 20 years.
- ii) Included in the total plant is a new plant which has been fully constructed in January 2018 at a cost of RM40,000,000. The company borrowed RM40,000,000 to finance the construction. Since only RM30,000,000 was needed at the start of the construction, the balance of RM10,000,000 was temporarily placed in short term investments and earned an income of RM200,000. The interest accrued on the total borrowings of RM40,000,000 is RM2,800,000. The borrowing costs meet the capitalization criteria.
- iii) It is the policy of the company to use the straight-line method to depreciate all property, plant and machinery based on period of ownership. The estimated life of all plant, machinery and motor vehicle is 10 years. The depreciation charge is treated as administration expense.
- iv) The estimated tax payable for the year was RM17,100,000. This does not include a decrease of company's deferred tax liability by RM1,200,000.
- v) The fair value of the investments classified as fair value through profit or loss at 31 December 2018.
- vi) The finance cost of RM400,000 represents amount paid to the holders of the redeemable preference share capital.

**Required:**

Using the applicable Malaysian Financial Reporting Standards, prepare:

- a) the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018.  
(8 marks)
- b) the Statement of Financial Position as at 31 December 2018.  
(17 marks)
- c) the Statement of Changes in Equity for the year ended 31 December 2018.  
(5 marks)

**(Total: 30 marks)**

**Continued...**

**QUESTION 3****Part A**

White Yogurt Berhad has in issue 10,000,000 units of ordinary shares which were issued at RM6 per share. On 30 November 2018, the company plans to issue bonus shares at RM4.00 per share, at a ratio of one every 5 shares held.

White Yogurt Berhad will consume its retained earnings. The balance of retained earnings on 31 December 2018 is RM500,000,000. The shares are issued on 31 December 2018.

**Required:**

- a) Prepare journal entries for the above transactions.

(5 marks)

- b) Prepare the extract of the statement of financial position as at 31 December 2018.

(4 marks)

**Part B**

Read Xpress Berhad is a book supplier. The financial year end is 31 March annually. On 31 January 2019, Read Xpress Berhad has a total credit sale of RM2,400,000 in which RM400,000 was not yet collected. On the same date, Read Xpress Berhad estimates that RM240,000 of these sales will be uncollectible by year end.

On 31 March 2019, the accountant of Read Xpress Berhad authorizes a write-off of the RM100,000 from the uncollectible debts of RM240,000 because the customer was in the liquidation process.

**Required:**

Apply the principle in MFRS 9: *Financial Instruments*:

- a) in assessing the receivables of Read Xpress Berhad at the end of each reporting period.

(8 marks)

- b) prepare journal entries to record the transactions on 31 January 2019 and 31 March 2019.

(4 marks)

Continued...

**Part C**

Fruity Juice Berhad is a Malaysian listed company that engages in the business of beverages. The financial year end is 31 March annually. The director of Fruity Juice Berhad are unclear about how to apply the recognition and measurement principles of MFRS 110: *Events After the Reporting Period* in the two issues that are currently being faced by the company, particularly on the need to do the adjustments.

The first issue is on the impairment of assets which the recoverable amount was furnished by the professional valuer on 30 April 2019. The second issue is on the court case that is faced by the Fruity Juice Berhad since 15 March 2019. The directors authorized the financial statements for issue on 31 May 2019.

**Required:**

As the consultant of Fruity Juice Berhad, prepare a note explaining the recognition principles for the above transactions in financial statement as at 31 March 2019.

(9 marks)

**QUESTION 4**

(Total: 30 marks)

**Part A**

Dream City Berhad engages in the hospitality and water park business. The financial year end is on 31 December annually. The following are among the assets acquired on 1 January 2015 for a total cost of RM800,000,000:

	Cost (RM)	Useful life
Trams	160,000,000	10 years
Building	400,000,000	50 years
Furniture and fittings	240,000,000	20 years

On 1 July 2018, the accountant discovered that there was unexpected damage on the trams and the directors decided to replace the trams with new trams at a cost of RM240,000,000. The expected life of the new trams was determined to be 12 years.

At the same time, Dream City Berhad upgraded the furniture and fittings at a cost of RM60 million to suit with the new company rebranding. The remaining useful life of the furniture and fitting was revised to 15 years as at 1 July 2018.

On 30 September 2018, the company completed repainting the building and incurred at a cost of RM500,000. The management is of the opinion that they should continue recognizing the depreciation based on the previous cost of trams as well as furniture and fittings to minimize the expense. In addition, the management feels that the repainting cost amounting to RM500,000 should be capitalized on 30 September 2018.

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**Required:**

Apply the principles MFRS 116: *Property, Plant and Equipment*:

- a) in proposing the appropriate accounting treatment for the depreciation of the three assets and the repainting cost for the financial year ended 31 March 2019.

(10 marks)

- b) Prepare journal entries to record the depreciation for the three assets and the repainting cost for year 2018.

(5 marks)

**Part B**

Fresh Lime Berhad engages in the business of beverages. The financial year end is 31 May annually. On 30 November 2018, Fresh Lime Berhad is committed to dispose a factory. The carrying amount of the factory is RM1,000,000 and the current market price of the plant is RM1,200,000. Fresh Lime Berhad would incur a cost of RM40,000 to dispose of the factory. If Fresh Lime Berhad continue to use the asset, the economic benefit is estimated as RM800,000.

**Required:**

Apply the measurement principles in MFRS 5: *Non-Current Assets Held for Sale and Discontinued Operations* in explaining the appropriate accounting treatment.

(5 marks)

(Total: 20 marks)

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